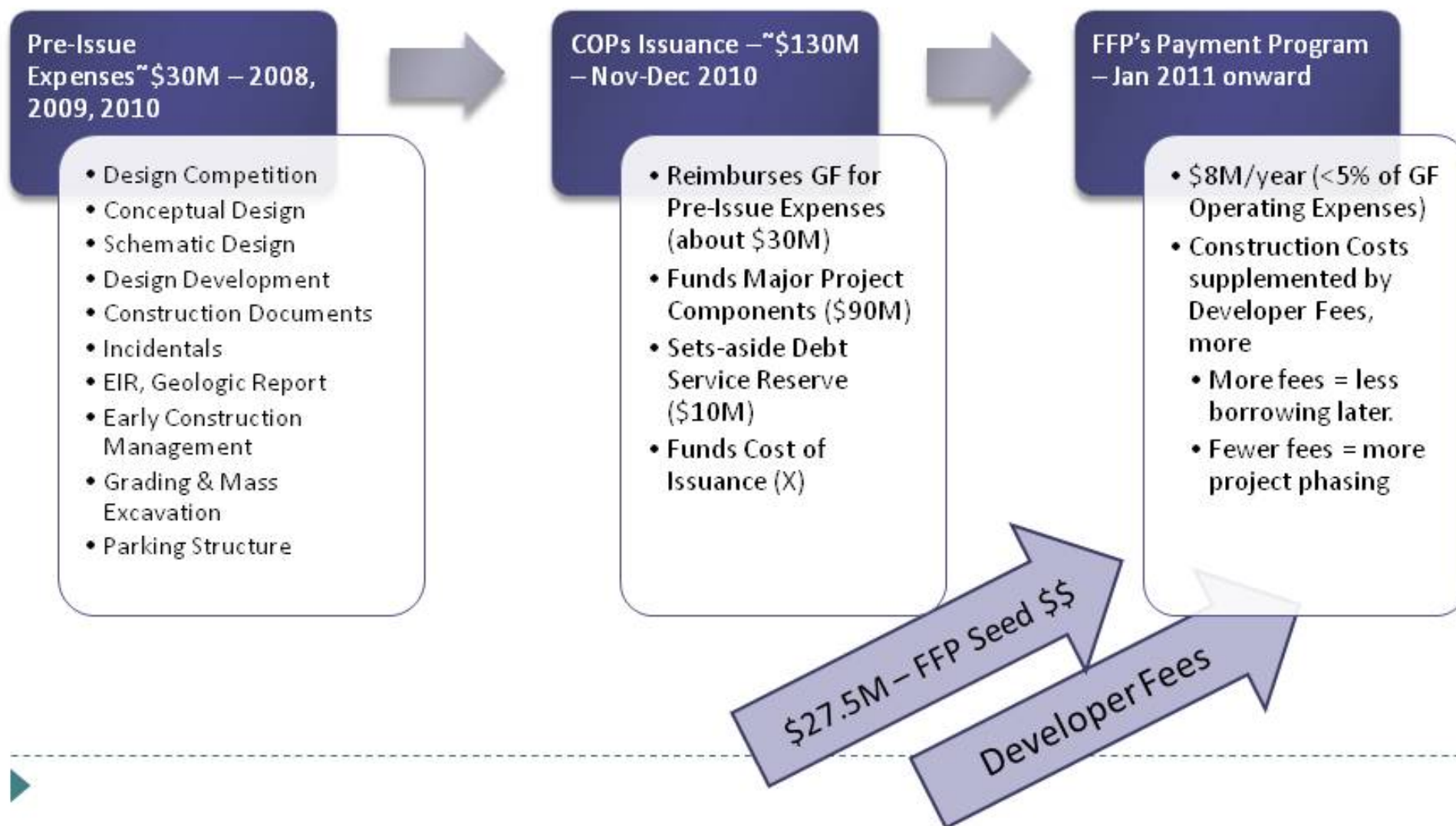


Civic Center Funding: COPs and BABs



About the Debt Instrument

- ▶ **Certificates of Participation or “COPs”:**
 - ▶ The most commonly used debt instrument by local governments in California.
 - ▶ Structured as lease obligations, COPs are like bonds.
 - ▶ Unlike GO bonds, no increases in local taxes.
 - ▶ Interest on COPs is low because it is tax-exempt to the holders and when the COPs mature, the facility belongs to the city.
 - ▶ The city Facilities Financing Plan prohibits debt service on COPs from exceeding 5% of our general fund budget which is a very low ratio.



COPs and Build America Bonds

- ▶ COPs may be issued under ARRA 2009's Build America Bonds (BABs) Program
 - ▶ Authorized by the 2009 Fed Stimulus Act
 - ▶ Unlike most municipal bonds, the income BABs generate is taxable.
 - ▶ BAB issuers (i.e. City) receive a subsidy from Feds equal to 35% of the interest paid to investors for purchasing the bonds.
 - ▶ As a result, the City can issue bonds that pay interest rates that are competitive with the rates paid by corporations.
- ▶ The decision to issue tax-exempt COPs or taxable BAB COPs is simply economic and will be evaluated right up to pricing.
- ▶ In today's market, BABs may provide about a 40-50 basis point advantage over tax-exempt COPs.
- ▶ Our transaction may likely include both tax-exempt COPs in the shorter maturities and taxable BAB COPs in the longer maturities.

